

**MINUTES OF REGULAR MEETING
ILLINOIS GAMING BOARD
MAY 20-21, 1996
AURORA, ILLINOIS**

A Regular Meeting of the Illinois Gaming Board ("Board") was held on May 20 and 21, 1996. On May 20 the Board met at the Roundhouse restaurant in Aurora, IL.

The following Board Members were present: J. Thomas Johnson, Chairman; and Members William B. Browder and Robert F. Vickrey.

Also in attendance were: Administrator Michael A. Belletire, Deputy Administrators Joseph Haughey and Kevin Lockhart, Legal Counsel Mareile' Cusack and Georgia Kolettis, Board Secretary Susan Offord and staff members Nick Wilke and Christine I. Takada.

The meeting was called to order at 7:30 p.m. Member Browder moved that the Board retire to Closed Session pursuant to Section 2(c), paragraphs (1), (4), (11), (14) and (21) of the Open Meetings Act, to discuss the following subject matters:

1. Issues Concerning Applicants and Licensees
2. Recommendations of Administrative Law Judges
3. Pending and Probable Litigation Matters
4. Investigatory Matters
5. Personnel Matters
6. Closed Session Minutes

Member Vickrey seconded the motion which was adopted by unanimous consent. The Board adjourned at 10:00 p.m.

On May 21, the Board met at the Copley Theater in Aurora, Illinois, pursuant to the Illinois Open Meetings Act, 5 ILCS 120/1 et seq.

The following Board Members were present: J. Thomas Johnson, Chairman; and Members William B. Browder, Byron G. Cudmore, Gayl S. Pyatt and Robert F. Vickrey.

Also in attendance were: Administrator Michael A. Belletire, Deputy Administrators Joseph Haughey and Kevin Lockhart, Chief Legal Counsel Mareile' Cusack, other members of the staff, the media, the general public and interested parties.

The Board reconvened in Open Session at 9:30 a.m.

The Board, staff and other interested parties were given a tour of downtown Aurora and the Paramount Theater by the Mayor of Aurora, David Pierce. Board

Members ended their tour by viewing the Hollywood Casino's City of Lights I and pavilion.

At 10:30 a.m., Member Pyatt moved that the Board retire to Closed Session pursuant to Section 2(c), paragraphs (1), (4), (11), (14) and (21) of the Open Meetings Act, to continue discussions of the subject matters listed above.

Member Cudmore seconded the motion which was adopted by unanimous consent.

The Board reconvened in Open Session at 1:15 p.m.

Member Cudmore moved that the Board approve the minutes from the open and closed sessions of the April 23, 1996 regular meeting. Member Pyatt seconded the motion. The motion was approved unanimously by voice vote.

The next order of business was the Administrator's Report.

Administrator Belletire commended the Board Secretary, Hollywood staff and city officials for the orderly and smooth flow of events.

Administrator Belletire reported that Adjusted Gross Receipts ("AGR") for April 1996 totaled \$104 million -- an increase of 5.9% over the total for April 1995. For April each of the nine operational licenses reflected a decline relative to March 1996 AGR totals. Three licensees (Par-A-Dice, Rock Island and Metropolis), reflected lower AGR performance when compared to April 1995 results.

The Administrator referenced various monthly reports. He recorded an increase in the number of cruise cancellations attributable, primarily, to high winds.

The Administrator reported that several permanent rule changes became effective with publication in the Illinois Register since the last Board meeting. These changes include: Rules 3000.230, 300.236, 3000.300, 3000.500-510 and 3000.614.

The Administrator reported that he authorized the following small-scale capital projects on behalf of the Board: (1) Hollywood Casino-Aurora's request to construct a pedestrian crosswalk bridge linking their parking garage to their main facility. This \$1.8 million project is being financed from cash flow. (2) Casino Queen received authorization to build a \$750,000, two-story addition to their pavilion building. The addition, funded out of cash flow, will house administrative offices. (3) The Silver Eagle received approval to acquire a working cash loan from one of the HP, Inc. owners.

The Administrator reported that the outside accounting firm, Kerber Eck & Braeckel ("KEB"), is working with staff to improve the owner-licensee renewal process. To date an initial round of reviews with Board members, agency staff and

representative owner-licensees has been completed. An adjunct to this project will be the creation of the Form 1 - Personal Disclosure Renewal.

The Administrator reported that the General Assembly Spring Session was nearing completion. He reported that it looks as though no gaming-related issues will be passed with the exception of the IGB appropriations bill. The most recent addition to the legislative agenda was an ethics packet that originated in the House and passed to the Senate. This package amends the Riverboat Gambling Act to include the Code of Conduct that the Board adopted last December. He further stated that these same provisions were also extended in this legislation to the Illinois Racing Board.

The Administrator lastly reported that the question of redundancy of count (hard and soft) activity was discussed in executive session. Administrator Belletire reported that the Board requires that there be a computer monitoring system for electronic gaming devices. Specifically, an owner licensee is required to have a system in place that provides a level of redundancy to the actual hard and soft count. Currently, Player Tracking Systems are used but are not designed for redundancy and are not effective systems as such.

Chairman Johnson expressed concern about this issue and encouraged staff to work on a regulation in regards to redundancy to clarify what will be the calculation of gaming revenue for purposes of the tax.

The next order of business was Items Concerning Owner Licensees.

Ed Pratt III, representing Hollywood Casino Aurora ("HCA"), requested the renewal of HCA's owner's license. Mr. Pratt thanked the Board and staff for taking the time to tour their facility and the downtown Aurora area. Mr. Pratt introduced several members of the HCA organization and community leaders who have worked with HCA on various projects.

Mr. Pratt introduced a video that reviewed the last three years of the HCA development. The video demonstrated how HCA has helped to transform downtown Aurora physically and economically. HCA has generated over \$300 million of economic activity for Aurora and the State of Illinois. They have committed over \$100 million to construction and capital improvements in the downtown Aurora area. HCA has created over 1,600 new jobs, over \$90 million in capital investments together with \$8-10 million in annual revenues to Aurora which has helped repair and replace infrastructure. Job creation was up 63% over 1994 and the 4.8% unemployment rate in November of 1995 represented the lowest unemployment level in Aurora in twenty years.

Mayor of Aurora, David Pierce commended HCA for being an outstanding corporate citizen. Mr. Pierce stated that HCA has help to regenerate and revitalize the downtown Aurora area. He supports the renewal of HCA's owner's license.

Mr. Bud Meyer, Chairman of the Aurora Civic Center Authority, who led Board members and staff on a tour of the Paramount Theater earlier in the day, addressed the Board noting his support for the renewal of HCA's owner's license.

Mr. Jack Pratt, Chairman of the Board, spoke on behalf of the Pratt family and thanked the Board for allowing them to do business in the City of Aurora and the State of Illinois.

Member Cudmore and Member Vickrey complimented the City of Aurora for the accomplishments they have made in revitalizing downtown Aurora by restoring, investing, improving infrastructure and preserving historic landmarks. Mr. Vickrey commended the Mayor of Aurora and stated that he provides wonderful leadership.

Member Johnson also commended the city of Aurora for the investments they have made as a result of the gaming proceeds that have come from HCA. He found the investment in the citizens of Aurora to be one of the most impressive features.

Chuck Smith, representing Par-A-Dice Gaming Corporation ("PGC"), updated the Board on the status of the purchase of PGC by Boyd Gaming Corporation ("Boyd"). The shareholders of PGC and Boyd signed a stock purchase agreement on April 26, 1996, subject to Gaming Board approval, that provides for the transfer and ownership of PGC to Boyd Gaming. William Boyd, Chief Executive Officer of Boyd Gaming Corporation, was introduced and stated that he looks forward to working with the Board and staff in the future.

Frank Pedulla, representing Casino Rock Island ("CRI"), requested renewal of their owner's license.

Administrator Belletire gave a brief status report. He stated that there are no irregularities of consequence and CRI continues to meet the standards the Board has found acceptable in the past. He stated that there are issues of a financial nature facing CRI but that staff recommend licensure renewal.

Member Vickrey stated that the Board would like to see CRI increase the 12 percent market share they currently have in the Quad-cities area.

Chairman Johnson, queried Mr. Pedulla on the legislative relief CRI is seeking in Springfield to permit the Board on a test basis to allow dockside gaming. Chairman Johnson asked what "limited cruising" will do for CRI and what the Board could anticipate happening if this legislation were enacted. Mr. Pedulla stated that the "limited-cruising" versus the idea of dockside gaming would enable an immediate increase in the first 60-90 days of at least 5 percentage points of the Quad-city market share. He further stated that CRI foresees obtaining an additional 3-5 percentage points of market share within a timeframe of 12 months. Mr. Pedulla stated that CRI's projections are conservative numbers.

Chairman Johnson asked if CRI will increase their number of gaming positions and if not, how CRI can increase their figures. Mr. Pedulla stated that they will not increase their number of gaming positions, noting that CRI's marketing goal is guest service and satisfaction. Chairman Johnson further asked what CRI would do if the legislature did not grant limited cruising. Mr. Pedulla stated that CRI has an arrangement with the City of Rock Island to abate the city's share of gaming tax. He further stated that the city also has \$1 million set aside to off-set any losses that CRI might incur as they operate. Mr. Pedulla stated that this allows CRI to stay in Rock Island and fight the competitive battle.

Member Pyatt commended Mr. Pedulla on the relationship they enjoy with the City of Rock Island. She further asked how CRI predicts a 5 percentage point increase in market share if limited cruising takes effect. Mr. Pedulla stated that CRI conducted customer surveys that showed the likely effect of mirroring the Iowa cruising requirements.

Member Browder moved that the Board approve Casino Rock Island's application for renewal of its owner's license. Member Vickrey seconded the motion. The motion was approved unanimously by voice vote.

John Janicik, representing Casino Queen, Inc., requested approval of Mary Bidwill as a key person.

Member Pyatt moved that the Board approve Mary Bidwill as a Key Person of Casino Queen, Incorporated. Member Browder seconded the motion. The motion was approved unanimously by voice vote.

Member Cudmore moved that the Board approve Daniel E. Evans as a member of Argosy Gaming Company's Board of Directors. Member Pyatt seconded the motion. The motion was approved unanimously by voice vote.

Member Vickrey moved that the Board approve Peter Aranow as a Key Person of Southern Illinois Riverboat Casino Cruises. Member Browder seconded the motion. The motion was approved unanimously by voice vote.

The next order of business concerned Supplier Licensees.

Joseph Duellman, representing Aerie Hotels & Resorts, requested renewal of their supplier's license.

Member Browder moved that the Board approve Aerie Hotels & Resorts' application for renewal of its supplier's license. In renewing the license, the Board requests that Aerie Hotels & Resorts re-negotiate its agreement with H.P., Inc. to terminate the practice of assessing fees solely on a percentage of gaming revenues and work with the staff to establish a more acceptable management fee structure.

Member Vickrey seconded the motion. The motion was approved unanimously by voice vote.

Member Cudmore moved that the Board approve Mikohn Gaming Corporation's application for renewal of its supplier's license. Member Pyatt seconded the motion. The motion was approved unanimously by voice vote.

Member Pyatt moved that the Board approve Sigma Game's application for renewal of its supplier's license. Member Browder seconded the motion. The motion was approved unanimously by voice vote.

The next order of business concerned Occupational Licensees.

Member Vickrey moved that the Board approve 104 applications for an Occupational License, Level 2, and 255 applications for an Occupational License, Level 3, and deny 2 applications for an Occupational License, Level 2, and 5 applications for an Occupational License, Level 3. Member Pyatt seconded the motion. The motion was approved unanimously by voice vote.

The next order of business concerned Administrative Hearings/ALJ Reports.

Member Pyatt moved that the Board, having reviewed the administrative record, adopt the recommendation of the Administrative Law Judge and revoke the license of Keith Secrest. Member Cudmore seconded the motion. The motion was approved unanimously by voice vote.

Member Pyatt moved that the Board grant Norman Thomas' request to reapply within one year from the date of his denial. Member Browder seconded the motion. The motion was approved unanimously by voice vote.

Member Pyatt moved that the Board grant Nick Konstas' request to withdraw his hearing request and to reapply within one year from the date of his denial. Member Vickrey seconded the motion. The motion was approved unanimously by voice vote.

The next order of business concerned Complaints and Disciplinary Actions.

Member Browder moved that the complaint for disciplinary action against Steve Furler be issued and that his license be revoked. The complaint involves Mr. Furler's ineligibility to possess an occupational license due to his criminal background. Member Pyatt seconded the motion. The motion was approved unanimously by voice vote.

The next order of business concerned Board Policy/Discussion Items.

Pursuant to the Chairman's request at the April Board meeting, Administrator Belletire reported on fees for ATM services aboard riverboats. He stated that staff member Doug Bybee conducted a survey in Illinois as well as eight other gaming

jurisdictions to ascertain the scope of ATM and related transactions. Administrator Belletire stated that there are three different types of activity being reviewed: the issuance of credit by the house; bank cards that allow the ability to attain cash through loans; and, gaining access to a bank account through an ATM machine. The Administrator stated that there is a lot of cash transaction activity being conducted at riverboats. He noted that fees for credit card loans or advances were generally high.

Chairman Johnson stated that he has some concerns about a casino charging a fee for use of an ATM or credit card when the casino has no risk involved. He stated that licensees do not charge a fee when they issue credit or cash a check for a customer. He feels that these additional ATM service fees are just another source of revenue that the riverboats have and they are not being taxed on it. The Chairman further stated that he would like the Board to consider a regulation that would limit the ability to charge fees that are not the normal fees that would be paid for the use of that service outside of the casino environment.

Administrator Belletire clarified that he believes the fees are related to a rental or lease agreement between the banking institution and the riverboat allowing the machine to be present. He stated that it is a lease payment as opposed to a pass along cost for each transaction. Administrator Belletire further stated that there remains an issue of uniformity.

Chairman Johnson stated that he would study this issue further on his own.

Administrator Belletire reported that staff has created a proposed rule for winnings improperly accrued by an individual -- e.g. an EGD jackpot being paid out to someone who cannot prove that they are of age to gamble or the placing or collecting a bet for another. The question at issue is who gets the jackpot or prizes that are the result from gaming not authorized under the Act.

Mareile' Cusack presented proposed rule 3000.602 as follows:

Any jackpot or other winnings claimed by patrons who engage in gaming unauthorized or not permitted under the Act, or Board rules, shall not be paid to such patron but shall immediately be deposited by the owner licensees into the State of Illinois' Education Assistance Fund.

Member Vickrey moved that the Board waive the two meeting rule to consider this proposal submitted by staff. Member Cudmore seconded the motion. The motion was approved unanimously by voice vote.

Member Pyatt moved that the Board approve proposed Rule 3000.602 for submission as an initial filing with the Office of the Secretary of State as read by counsel except for the last part that should read:

but shall be deposited immediately by the owner licensees into the State of Illinois' Education Assistance Fund.

Member Browder seconded the motion. The motion was approved unanimously by voice vote.

Member Cudmore expressed his concern for the gamblers ability to contest the licensees decision to deposit the monies in the fund. He stated that there needs to be safeguards built into the proposed rule.

Chairman Johnson pointed out that this rule will not become final until after the comment period.

Chairman Johnson brought up the subject of a required maintenance schedule for riverboats. He asked the Administrator to survey the owners as to required maintenance activities they anticipate undertaking to maintain the safety of vessels.

There being no further business to come before the Board, Member Vickrey moved that the Board stand adjourned. Member Browder seconded the motion. The motion was approved unanimously by voice vote and the Board adjourned at 2:55 p.m.

Respectfully Submitted,

Susan A. Offord
Secretary of the Board